

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 202332
ORIGIN EB-08

INFO OCT-01 ARA-10 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 L-03 FEA-01
H-01 SP-02 SS-15 /050 R

DRAFTED BY EB/OA/AVP:GGRIFITHS:SP
APPROVED BY EB/OA:MHSTYLES
EB/OA/AVP:AJWHITE
ARA/ANP:SPATTERSON
L/EB:PMICKEY
DOT/OST:LERICSON
COM/BIEF/PR:EGRAUMAN
EB/OA/AN:AJRIMAS
FEA:DMC CLANAHAN
ARA/ECP:DTAHER (INFO)

-----043107 250159Z /72

P 242201Z AUG 77
FM SECSTATE WASHDC
TO AMEMBASSY BOGOTA PRIORITY

LIMITED OFFICIAL USE STATE 202332

E.O. 11652: N/A

TAGS: EAIR, CO

SUBJECT: JET FUEL PRICES AND TAXES

REF: A) BOGOTA 7697 B) 185921

1. DEPARTMENT HAS BEEN INFORMED BY BRANIFF VICE-PRESIDENT
DE MURIAS OF DENOUEMENT OF TAX REFUND PROBLEM. WHILE
EXPLANATIONS PROVIDED BY ESSO, BRANIFF, ECOPETROL, AND
COLOMBIAN GOVERNMENT RAISE AS MANY QUESTIONS AS THEY ANSWER,
SALIENT FACT FOR OUR PURPOSES IS THAT BRANIFF HAS ACCEPTED
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 202332

THESE EXPLANATIONS, AT LEAST FOR THE MOMENT.

2. DEPARTMENT HAS BEEN INFORMED BY DE MURIAS OF STATUS OF
NEGOTIATIONS ON FUEL PRICE DIFFERENTIAL. AS DESCRIBED TO
DEPARTMENT, ULTIMATE EFFECT OF PROPOSAL CURRENTLY BEING
DISCUSSED IN COLOMBIA WOULD BE TO LOWER BRANIFF'S JET FUEL
PRICE TO APPROXIMATELY 44 CENTS PER GALLON. THIS ALMOST 11

CENTS REDUCTION PER GALLON WOULD BE COMPOSED OF THREE ELEMENTS: AGREEMENT BY BRANIFF TO PURCHASE BULK QUANTITIES OF JET FUEL IN ADVANCE, THUS AFFORDING ECOPETROL THE ABILITY TO LOWER ITS UNIT PRICE TO BRANIFF; AGREEMENT BY AVIANCA TO ALLOW ITS FUEL PRICE TO BE INCREASED FROM 42 CENTS TO 44

CENTS PER GALLON, WITH ECOPETROL USING THIS INCREASED REVENUE TO SUBSIDIZE A FURTHER PRICE REDUCTION PER GALLON FOR BRANIFF; AND LASTLY, AGREEMENT BY ECOPETROL TO ABSORB THE COSTS OF A 1 - 2 CENTS PER GALLON FURTHER REDUCTION WHICH IT WOULD OFFER BRANIFF. THE NET EFFECT OF THESE THREE ELEMENTS WOULD BE TO LOWER BRANIFF'S PRICE FROM 55 CENTS TO 44 CENTS PER GALLON, THE SAME THEN AS AVIANCA'S.

3. DEPARTMENT EMPHASIZES THAT DE MURIAS SAID THAT PROPOSAL STILL IN TALKING STAGE. PAST HISTORY THIS PROBLEM REplete WITH PROMISES AND NEAR MISSES. HOWEVER, DE MURIAS HOPEFUL THAT FINAL SOLUTION, IF THERE IS ONE, WOULD BE ALONG LINES DESCRIBED. HE INDICATED BRANIFF WOULD BE EXTREMELY PLEASED WITH SUCH AN ENDING, AS WOULD BE THE DEPARTMENT. DEPARTMENT WOULD APPRECIATE LATEST EMBASSY INFORMATION RE STATUS OF FUEL PRICE NEGOTIATIONS.

4. DEPARTMENT PREFERS GIVE CURRENT NEGOTIATIONS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 202332

MAXIMUM OPPORTUNITY FOR SUCCESS. KEY TO THAT SUCCESS IN OUR OPINION IS AVIANCA'S LACK OF THIRD QUARTER SUPPLEMENTAL ALLOCATION. ACCORDINGLY, IN RESPONSE TO FOREIGN MINISTRY, EMBASSY SHOULD BE GUIDED BY LANGUAGE OF REF (B) WHICH DISCUSSES A DECISION ON AVIANCA'S SUPPLEMENTAL ALLOCATION IN TERMS OF BOTH THE TAX AND THE FUEL PRICE PROBLEMS. TAX PROBLEM HAS BEEN RESOLVED, AT LEAST FOR THE MOMENT, BUT FUEL PRICE PROBLEM REMAINS.

5. COMMENT: FYI ONLY. EMBASSY SHOULD BE AWARE THAT THIS MAY BE LAST OPPORTUNITY DEPARTMENT HAS OF USING GRANT OF SUPPLEMENTAL ALLOCATION AS LEVERAGE THIS MATTER. DECONTROL OF JET FUEL PRICE IN EARLY 1978 VERY LIKELY. DECONTROL WOULD MEAN THE ELIMINATION OF THE ENTIRE FUEL ALLOCATION PROGRAM, AND WITH IT THE ABILITY TO WITHHOLD SUPPLEMENTAL ALLOCATIONS. WITHHOLDING THE 3RD QUARTER ALLOCATION FOR AVIANCA SEEMS TO HAVE CAUSED CONSIDERABLE ACTIVITY ON THE FUEL PRICE ISSUE. FEA REPORTS THAT AVIANCA WILL EXHAUST ITS THIRD QUARTER BASE ALLOCATION ON OR ABOUT SEPTEMBER 7. DEPARTMENT WOULD PREFER TO SPIN THIS ONE OUT A BIT MORE BEFORE MAKING DECISION ON THIRD QUARTER SUPPLEMENTAL. OPPORTUNI-

TY TO DO SO MAY NOT COME AGAIN. CHRISTOPHER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: JET FUEL, PRICES, TAXES
Control Number: n/a
Copy: SINGLE
Sent Date: 24-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE202332
Document Source: CORE
Document Unique ID: 00
Drafter: GGRIFFITHS:SP
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770306-0714
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770827/aaaaawcs.tel
Line Count: 117
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 17807053-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 BOGOTA 7697
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 12-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1494962
Secure: OPEN
Status: NATIVE
Subject: JET FUEL PRICES AND TAXES
TAGS: EAIR, CO
To: BOGOTA
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/17807053-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009